

LONG TERM ECONOMIC FORECAST

Los Angeles County

CURRENT SETTING

Los Angeles County is the largest County in California in terms of population and employment. On January 1, 2000, the population was estimated at 9.84 million, and wage and salary employment totaled 4.10 million jobs. The principal industries are manufacturing, retail trade, business services, and education.

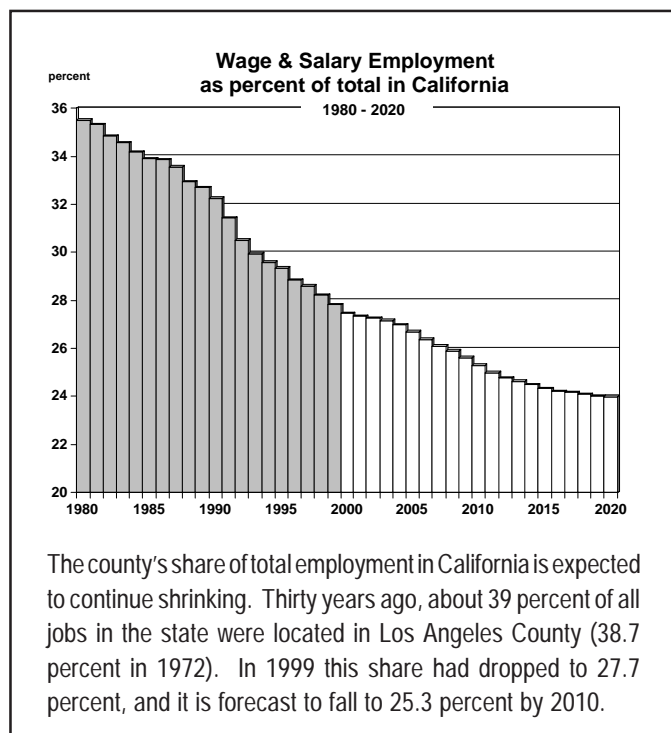
During 1999, 61,700 new jobs were created in the County, average per capita personal income rose 4.7 percent, and 14,142 new housing units were permitted. The median price of a home during 1999 was \$199,950.

FORECAST SUMMARY

- Employment growth is forecast to average 2.1 percent per year through 2003. This growth rate will slow to an annual average rate of 1.3 percent between 2004 and 2020.
- Total personal income is anticipated to grow an average of 5.2 percent per year throughout the forecast.
- Inflation-adjusted personal income per person is forecast to grow an average 1.5 percent per year through 2009, then by 1.7 percent annually through 2020. In contrast, this indicator is forecast to average 1.9 percent per year for the State of California.
- During the 1990s, net migration peaked at 51,000 people in 1999. This number is expected to steadily decline to less than 10,000 per year by 2004, and turn negative (i.e., more out-migrants and in-migrants) starting in 2009. Net migration is expected to remain negative for the remainder of the forecast, due largely to higher housing densities, rising home prices, and slower job creation.

EMPLOYMENT

Employment in Los Angeles County topped four million jobs in 1999 for the first time since 1990, as more than 60,000 new jobs were created in the county for the third year in a row. Similarly healthy job creation is anticipated for the next few years, but the forecast calls for slower job growth in the county after 2003. Between 2000 and 2003,



an average of 86,000 new wage and salary jobs are expected per year.

Beginning in 2004, and continuing to 2008, average new job creation falls to between 60,000 and 65,000 per year. By 2009, 50,000 or less jobs will be created annually in Los Angeles County. The capacity of the region to produce more jobs combined with less housing and higher densities result in slower economic growth during the 2010-2020 period.

Services employment has risen since 1972 from less than 20 percent of the county's jobs, and it will continue to grow in importance over the forecast period to nearly 39 percent by 2020.

A growing share of the services employment is in the "new economy" high tech sector that includes motion picture production, computer programming services, IT services, engineering, research, and testing services.

Meanwhile, manufacturing jobs, which accounted for more than 25 percent of the county's employment every year between 1969 and 1981, will continue to decline to less than 14 percent of total jobs by 2020.

INCOME

The gap between average salaries in Los Angeles County and the rest of California is forecast to narrow over time. Historically, the county's workers have earned proportionately greater average wages than other workers in the state. Currently, the average wage in the County is 5.6 percent greater than the statewide average, but this gap is forecast to fall to less than one percent by the end of the forecast period. Average salaries in the rest of California, particularly the Bay Area and the Sacramento Valley, are rising faster than business incomes in Los Angeles County.

Personal income continues to grow, and per capita personal income is expected to rise faster than inflation over

the forecast horizon. Since the beginning of the 1990s, however, growth in real per capita personal income has not kept pace with the rest of California, and the gap is forecast to grow wider over the next 20 years.

The rate of spending in the region will slow, as the rate of job creation and income formation cools after 2003. Furthermore, with on-line commerce becoming so prevalent, retail stores will lose market share to Internet commerce.

HOUSING AND DEMOGRAPHICS

Demand for housing will rise in tandem with moderate growth in households over the forecast period. The estimated 3.1 million households in Los Angeles County in

ECONOMIC FORECAST: DEMOGRAPHICS, INCOME, SALES

year	Popula- tion	Net Migra- tion	Regis- tered Vehicles	House- holds	New Housing Units	Retail Sales	Personal Income	Real Per Capita Income	Farm Crop Sales	Indus- trial Output
	people	people	millions of veh.	thousands of homes	homes	billions of \$	billions of \$	1999 \$ per person	millions of \$	billions of 1999 \$
1995	9,352,192	-76,385	6.1	3,057	8,405	\$51	\$214	\$24,535	\$223	\$79
1996	9,396,389	-66,445	6.2	3,061	8,607	\$53	\$224	\$25,112	\$235	\$80
1997	9,524,767	21,973	5.8	3,067	10,424	\$55	\$234	\$25,557	\$250	\$85
1998	9,623,420	15,496	6.1	3,075	11,692	\$58	\$248	\$26,361	\$265	\$89
1999	9,727,841	50,893	6.0	3,082	14,142	\$63	\$263	\$26,879	\$272	\$91
2000	9,838,861	32,417	6.1	3,095	15,916	\$66	\$280	\$27,569	\$276	\$93
2001	9,925,413	18,478	6.1	3,109	15,994	\$69	\$296	\$28,037	\$281	\$94
2002	10,007,779	12,579	6.2	3,123	16,874	\$72	\$309	\$28,309	\$286	\$96
2003	10,088,432	10,895	6.2	3,138	16,718	\$75	\$322	\$28,392	\$292	\$99
2004	10,164,810	8,873	6.3	3,153	16,157	\$77	\$336	\$28,481	\$299	\$102
2005	10,218,386	7,871	6.3	3,167	16,442	\$80	\$355	\$28,958	\$306	\$105
2006	10,276,069	4,368	6.4	3,181	17,220	\$83	\$376	\$29,577	\$312	\$108
2007	10,355,838	2,311	6.5	3,197	17,542	\$86	\$395	\$29,972	\$318	\$111
2008	10,437,531	36	6.6	3,212	17,334	\$90	\$417	\$30,538	\$325	\$114
2009	10,520,323	-523	6.7	3,227	16,783	\$93	\$438	\$31,092	\$331	\$117
2010	10,604,452	-786	6.8	3,242	16,764	\$97	\$458	\$31,493	\$336	\$121
2011	10,668,540	-2,165	6.9	3,257	16,830	\$100	\$478	\$31,882	\$342	\$125
2012	10,734,096	-2,574	7.0	3,271	17,293	\$103	\$500	\$32,407	\$347	\$128
2013	10,802,313	-3,809	7.2	3,286	17,419	\$107	\$524	\$32,922	\$352	\$132
2014	10,872,583	-4,856	7.3	3,302	17,348	\$111	\$551	\$33,564	\$358	\$136
2015	10,978,502	-6,308	7.4	3,317	17,410	\$115	\$578	\$34,124	\$364	\$140
2016	11,095,797	-9,337	7.5	3,332	17,919	\$120	\$607	\$34,725	\$370	\$144
2017	11,214,898	-10,417	7.6	3,348	18,270	\$125	\$639	\$35,393	\$377	\$149
2018	11,335,626	-11,222	7.7	3,364	18,204	\$130	\$673	\$36,096	\$384	\$154
2019	11,457,535	-9,730	7.8	3,380	17,895	\$136	\$708	\$36,815	\$391	\$159
2020	11,575,693	-10,997	7.8	3,395	17,612	\$141	\$745	\$37,582	\$398	\$163

Note: Historical data is shown for the years 1990 to 1999; forecasts begin in the year 2000

1999 are forecast to rise to 3.4 million in 2020. Most of this growth is due to natural population increase, as net migration to the county is expected to turn negative during the last 12 years of the forecast, from 2009 to 2020.

The reason for this predominant out-migration will be a shortage of new housing to accommodate population growth. The Department of Finance forecasts more than 11.5 million residents of Los Angeles County in 2020, compared to an estimated 9.8 million today. Consequently, average household sizes are expected to grow from about 3.2 this year to 3.6 by 2020, as more people must share a lagging supply of housing.

With a growing population in the 20 to 29-year-old age group, the demand for automobiles will rise, principally after 2005. This age group will be responsible for most of the net new vehicles registered in the County. The ratio of persons per vehicle is expected to rise between 2000 and 2005, but falls each year thereafter.

ECONOMIC FORECAST: EMPLOYMENT

Total Wage & Salary	Farm	Cons- truction	Mining	Manu- fac- toring	Trans. & Public Utilities	Trade	Finance, Insurance, Real Estate	Total Services	Gov- ern- ment
----- thousands of jobs -----									
3,754	8.0	109.8	5.9	638.4	202.6	835.8	222.1	1,196.2	535.7
3,796	7.2	107.5	5.7	644.7	204.7	840.7	217.2	1,234.9	533.0
3,872	7.0	109.5	5.5	661.4	211.9	858.6	220.2	1,261.9	536.3
3,951	7.7	118.4	4.9	661.7	225.2	871.9	228.4	1,292.2	541.0
4,013	7.9	125.0	4.4	643.4	234.2	885.3	233.7	1,317.0	562.4
4,102	7.9	128.6	4.2	635.9	231.8	910.7	234.1	1,371.4	577.4
4,189	7.9	130.0	4.0	627.3	234.8	934.1	234.6	1,422.9	593.3
4,279	7.9	129.7	3.8	633.7	237.0	954.6	234.8	1,468.6	609.0
4,356	7.9	128.3	3.5	641.1	238.6	969.9	235.3	1,507.0	624.1
4,419	7.8	127.0	3.3	647.0	240.3	980.1	235.7	1,539.5	637.8
4,479	7.8	126.5	3.1	651.9	242.7	989.3	235.8	1,571.7	650.2
4,542	7.8	126.4	2.9	655.4	245.6	999.8	236.1	1,606.0	661.7
4,604	7.7	126.6	2.7	658.8	248.3	1,010.8	236.7	1,639.7	672.5
4,664	7.7	126.4	2.5	661.3	251.3	1,022.6	237.4	1,673.0	682.1
4,715	7.7	125.8	2.2	665.0	254.7	1,034.4	238.0	1,697.6	689.5
4,765	7.7	125.0	2.0	670.6	258.5	1,045.9	238.4	1,722.0	695.1
4,814	7.6	124.8	1.8	676.1	262.5	1,056.9	238.7	1,745.3	699.8
4,871	7.6	125.2	1.6	681.6	265.9	1,068.8	239.2	1,776.9	703.7
4,931	7.6	126.0	1.4	687.0	268.6	1,081.5	239.8	1,811.5	707.3
4,991	7.6	126.7	1.2	692.4	271.1	1,094.9	240.5	1,845.6	711.2
5,053	7.5	127.3	1.1	697.5	273.8	1,108.6	241.1	1,880.3	715.4
5,123	7.5	128.1	1.1	702.4	276.4	1,123.0	241.6	1,922.7	720.0
5,198	7.5	129.3	1.1	708.0	279.2	1,138.3	242.3	1,967.3	725.5
5,276	7.5	130.4	1.2	713.8	282.7	1,154.0	243.2	2,011.4	731.6
5,354	7.5	131.0	1.2	719.4	286.5	1,169.9	244.0	2,055.3	738.7
5,435	7.4	131.6	1.3	724.9	289.2	1,186.3	244.5	2,102.5	746.8

Los Angeles County

